

Congress of the United States
Washington, DC 20515

April 24, 2009

The Honorable Lisa Jackson
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460

Dear Administrator Jackson:

We are writing to seek clarification of the Environmental Protection Agency's (EPA) recent analysis of the Waxman-Markey American Clean Energy and Security (ACES) Act.

In EPA's analysis, the agency assumed U.S. GDP growth for 2010 to 2019 at a rate of 2.5% per year. In contrast, President Obama's budget proposal, released just 2 months ago, relied on assumed GDP growth of 3.3% for the same period. The discrepancy is significant. The different growth rates lead to different economic scenarios for the U.S. – a difference of approximately \$1.22 trillion dollars of GDP. This diminished GDP drastically affects the analysis of the ACES Act. A smaller GDP would mean lower greenhouse gas emissions, and lower compliance costs.

EPA's analysis also relies on incorrect offset numbers. The analysis assumes that covered entities can offset up to 2 billion metric tons of their annual emissions through projects to reduce emissions outside the scope of the cap. The ACES Act, however, never allows for these levels. By EPA's own admission, the use of offsets drastically affects the cost of compliance. "Without international offsets," EPA wrote, "the allowance price would increase 96 percent."

Further, the assumptions for carbon capture and sequestration are unrealistic. The analysis assumes 3 Gigawatts (GW) of carbon capture by 2015 and 55 GW by 2030. These assumptions would require us to increase carbon capture from 0 to 3 GW in just 6 years and have 100 coal plants sequestering 100% of their CO₂ emissions by 2030. This assumption was directly contradicted by Energy Secretary Steven Chu this March when he testified before the House Science and Technology Committee that carbon capture and storage technology would take roughly ten years to prove.

Finally, EPA's analysis assumes a nationwide impact. It is undisputed, however, that the actual impacts of the ACES Act would be regional.

Congress relies on quality analysis to make informed decisions. Therefore, please respond to the following:

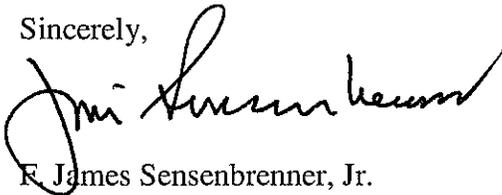
- What was the basis for EPA's growth rate assumption?
- Why is it lower than the growth rate used in the President's budget proposal?
- EPA's analysis does not consider the effects of the ACES Act renewable energy standard. Will this standard increase consumer costs?

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- Why did EPA rely on incorrect offset levels?
- What effect would accurate offset levels have on compliance costs?
- Are the carbon capture and sequestration assumptions technologically feasible?
- If technological progress does not match EPA's assumption, what effect will this have on consumer costs?
- Does EPA expect regional disparities in the consumer costs of the ACES Act?

Given the speed with which the ACES Act is expected to move through the House, we would appreciate a written response to this inquiry no later than Friday, May 8, 2009. Additionally, we would like to arrange a briefing with our staff to clarify these issues in the analysis. Please contact Raj Bharwani with the Select Committee on Energy Independence and Global Warming at (202) 225-0188 to arrange the briefing.

Sincerely,



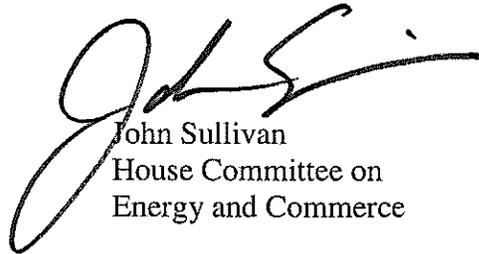
F. James Sensenbrenner, Jr.
Ranking Member
House Select Committee on
Energy Independence and Global Warming



Darrell Issa
Ranking Member
House Committee on
Oversight & Government Reform



Candice Miller
House Select Committee on
Energy Independence and Global Warming



John Sullivan
House Committee on
Energy and Commerce